Performance Plan

2001/02 - 2003/04

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TREE FRUIT AUTHORITY
A British Columbia Crown Corporation

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Letter from the Chair

The 1990 *Report of the Commission of Inquiry* into the tree fruit industry concluded "that a strong, dynamic, and competitive tree fruit industry is vital to the quality of life and economic well-being of the Okanagan region." This is as true today as it was then. The tree fruit industry provides both direct and indirect economic and social benefits as an employer, as a market driver, and as an essential member of the communities of which it is a part.

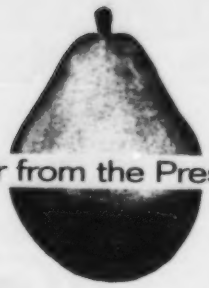
Global competition continues to intensify for tree fruit producers. Our nearest and largest competitor, Washington State, is struggling with over-production of its main apple variety, Red Delicious. Consumers continue to turn away from the inconsistent quality associated with this variety. We have encouraged our growers to replant older orchards with efficient, higher-density plantings, and to choose those varieties favoured by the market. It's a matter of adapting to evolving consumer preferences, to increasing competition, and to the requirement for new knowledge. We must not only grow different and better products, we must manage and market those products more efficiently and effectively. This means adopting new production techniques and staying up with market information at all times.

Our original priority is still the right one: industry revitalization through a focused, strategic commitment to replanting. This includes the 1999 reinstatement, with retroactive payments, of Transitional Production Assistance Program (TPAP) funding, the creation in 2000 of an industry development trust fund, and recent efforts to enhance market position by furthering environmentally sustainable programs such as Sterile Insect Release.

The benefits to society as a whole are great. The tree fruit industry uses and protects a highly productive but limited land base. It sustains a unique way of life and supports other industries, from processing to tourism, to the development of retirement communities. Major change is seldom easy or without risk. The tree fruit industry in British Columbia is undergoing such a change, but we continue to believe that it is worthy of the investment in its revitalization.

Robert F. Dawson
Chair

"We must not only grow different and better products, we must manage those products more efficiently and effectively."



Letter from the President and Chief Executive Officer

A performance plan is concerned primarily with looking ahead. At the same time, this year's plan presents a natural opportunity to examine the ground we have covered cooperatively – fruit growers, the government of British Columbia, and the Okanagan Valley Tree Fruit Authority (OVTFA) – to reach this point.

The Original Mandate

The OVTFA was created in 1990 with a 10-year mandate to work with southern Interior tree fruit growers through a whole-scale industry transition. The *Report of the Commission of Inquiry – British Columbia Tree Fruit Industry*, released in May of that year, documented a growing financial crisis in the industry and proposed several solutions. The government acted promptly. *Bill 75 – 1990* created a Crown corporation to "ensure an efficient and coordinated approach to the revitalization and transformation of the Interior tree fruit industry to ensure a strong, dynamic, and competitive tree fruit industry." The OVTFA was born.

As part of a mid-term evaluation of OVTFA operations, the OVTFA, working with the Minister of Agriculture, Fisheries and Food (Minister), carried out a consultation with industry. This process led the OVTFA board of directors to endorse a tighter business focus and more strategic approach to core replant efforts. Administrative streamlining accompanied the more targeted approach, so that central programs could be delivered in the most effective, user-friendly, cost-efficient manner. The OVTFA's industry-supported five-year plan was approved by Treasury Board and presented to industry in early 1996 by the Minister, the president of the BC Fruit Growers' Association, and the chair of the OVTFA.

In the fall of 1996, OVTFA funding was reduced, and all programs except the replant program were eliminated, including the Transitional Production Assistance Program (TPAP), a program of grants to offset loss of revenue while new plantings came into production.

A survey of the replant program released in May 1999 showed general success for most replanting projects, but a great deal of variation in economic results. Gross revenues for orchardists ranged from a little more than $2,000 per acre ($4,940 per hectare) to more than $13,000 per acre ($32,110 per hectare) (the lower figure being no different from revenues for full-bearing, traditional Red Delicious plantings).

In March 2000, the Minister announced an extension of the OVTFA mandate through to March 31, 2006, with funding of $25 million, and the establishment of a $2 million industry development trust fund. This followed a decision in late 1999 to restore TPAP funding, including retroactive payments to growers who would have qualified for payments under the program while it was suspended.

Accomplishments

1990/00

In early 2000, broad consultations were carried out to help the industry in developing and refining its revitalization plan. Four major research reports provided baseline data and a resource for the consultations. The reports clearly identified the replant program's contribution to an increase in farm-gate revenues, from $50 million in 1995 to more than $96 million in 1997.

To date, government programs have resulted in a net investment of more than $75 million in replant activities by farmers. Over the OVTFA's first 10 years, a total of 5,000 acres (2,025 hectares) were replanted with more marketable, high-density varieties that have better rates of return.

2000/01

In 2000, the OVTFA provided replant grants to 272 growers to help them in replanting 635 acres (257 hectares). In addition, $2.2 million was paid to 440 growers under TPAP. A replant program review by the OVTFA board of directors in January 2001 – prompted by the difficult financial conditions that growers continue to face – led directly to an increase in the replant grant, from $4 per tree to $5 per tree.

The Next Five Years

The priorities that will shape the OVTFA's next three to five years are outlined in this *Performance Plan 2000/01 - 2003/04*, and in the "Shareholder's Letter of Expectations," that formalizes the relationship between the Minister and the Chair of the OVTFA. The OVTFA will continue to focus on orchard renovation through replanting older varieties with newer, higher-producing varieties, and managing orchards for higher-quality products.

The OVTFA will continue to play a supportive role to assist growers and regional governments to effectively implement the Sterile Insect Release (SIR) Program. The tree fruit industry is a leader in reducing pesticides through the implementation of Integrated Pest Management programs. The SIR Program will complement these efforts and result in a further significant reduction in the use of pesticides. That will, in turn, enable producers to position their fruit in the

"To date, government programs have resulted in a net investment of more than $75 million in replant activities by farmers."

marketplace as having been grown in an environmentally sensitive way.

The OVTFA's role will be to ensure that educational and training tools are made available to growers to meet the demands of managing high-density plantings.

Links to Government Priorities

The OVTFA's work and goals directly support provincial government priorities to strategically invest in activities that benefit British Columbians, their communities, and the environment.

One of the government's priorities is to accelerate the pace of innovation in the B.C. economy, building on successes in high-tech, film and tourism, and becoming more strategic in the resource sectors. It is fundamental to the OVTFA replant program to adopt innovative technology, as well as take the lead in orchard management and marketing techniques, to bring economic viability to fruit-growing in B.C. In addition, the extension of the OVTFA's mandate through 2006 relates directly to its valued strategic role in revitalizing the tree fruit industry, a key resource sector in the region and the province.

Another important priority for the B.C. government is to give communities more power to shape their own future. The OVTFA was founded on the principle that the tree fruit industry is an essential part of the economic and cultural character of the southern Interior region. Industry transition and revitalization is the strategy that best ensures future community-based determination of this valuable resource. And since its inception, the OVTFA has conducted several evaluations and broad consultations that have helped it define and base its core priorities on activities that contribute most significantly and measurably to a self-reliant industry (e.g., high-density replanting to more productive varieties, and transitional funding).

The government of B.C. continues to support a greener society by protecting our environment and sustaining our forests. The OVTFA directly supports the use of orchard techniques, such as the SIR Program. The high-density plantings also support environmentally sustainable resource use, through the use of trickle irrigation to reduce water consumption. (This watering system supports the use of "fertigation" – the inclusion of fertilizer nutrients in the water – that results in more efficient use and eliminates runoff to receiving waters.) The OVTFA also promotes the fact to growers and marketers that sound stewardship practices translate into direct benefits from an increasingly informed and environmentally conscious consumer base.

Finally, the government of B.C. is working to put the province's financial house in order. In support of that priority, the OVTFA operates on the principles of practical, efficient and timely administration, to meet government's objectives of fiscal restraint.

Ross Husdon, P.Ag.

President and Chief Executive Officer

Introduction

This three-year performance plan for the OVTFA has been developed by the board of directors in accordance with the terms of the *Okanagan Valley Tree Fruit Authority Act, (RSBC 1996, Chapter 339)*, and in response to British Columbia's July 2000 *Budget Transparency and Accountability Act, (BTAA)*. Introduced into law in July 2000, the BTAA established an accountability framework and performance reporting structure for ministries and other government organizations.

The board, that directs and manages the OVTFA, is appointed by the Lieutenant Governor in Council and reports to the Minister of Agriculture, Food and Fisheries. The board establishes the overall direction and defines the long-term priorities and objectives for the OVTFA which are reflected in this performance plan.

The board develops annual performance plans for the OVTFA based on the management principles established in 1995 by the Auditor General of British Columbia *(Enhancing Accountability for Performance in the British Columbia Public Sector*, June 1995) and informed by the *Guidelines for Government Organizations Performance Plans*, September 2000 prepared by the B.C. Ministry of Finance Crown Corporations Secretariat. All OVTFA performance plans are submitted by the board for review and approval by Treasury Board.

The board establishes the overall direction and defines the long-term priorities and objectives for the OVTFA which are reflected in this performance plan.

Strategic Operation

Mission

To enable and encourage fruit growers to revitalize their industry to achieve a strong, dynamic, competitive and sustainable industry with renewed efficiency and profitability.

Vision

The British Columbia tree fruit industry will be based on a core of profitable commercial operators making the best use of their land and resources to produce high-quality products. It will be market-oriented in growing and processing. Growers will be motivated and equipped to meet the challenges of a rapidly changing marketplace.

Values

The operations of the OVTFA are guided by the following values:

- ***open, meaningful communications*** with industry stakeholders, the government and the public, as a prerequisite to industry revitalization
- ***partnerships and alliances*** with industry, government, and the public to build long-term revitalization solutions
- ***sustainable revitalization*** through environmentally responsible programs
- ***integrated revitalization*** that is mindful of the tree fruit industry's importance as part of the physical, social and economic structure of the B.C. Interior of British Columbia
- ***people are an important resource*** in the tree fruit industry, and must be considered in the development of all policies and programs
- ***financial stewardship*** ensures that public funds are used carefully and with due respect so that industry and the public receive the maximum benefits from available resources.

Principles

- Accomplishment of the OVTFA mission requires the application of proven business management methods.
- Cooperation with government agencies is essential.
- Effective communication is central to the achievement of the OVTFA's objectives.
- Respect for social and environmental considerations will help ensure the future sustainability of the Interior tree fruit industry.

Growers will be motivated and equipped to meet the challenges of a rapidly changing marketplace.

Environment Scan (Current Conditions)

A vibrant, competitive tree fruit industry is a key factor in sustaining the resource land base and overall productive value of agriculture in the Okanagan, Similkameen and Creston regions. Fruit growers continue to make long-term gains toward viability, despite low apple prices due to competition and over-production from the United States.

The OVTFA's commitment to its core replant priorities is in direct response to the major challenges facing the tree fruit industry today:

- over-production of Red Delicious apples in Washington State, resulting in depressed prices for all apple varieties, and
- the resulting financial pressures on growers and the effect on replanting targets, given the high capital expenses of replanting.

The OVTFA's primary role is strategic – to facilitate the delivery of replant and transitional funding (i.e., TPAP) programs, and enhance the use of Sterile Insect Release (SIR) as an effective environmental orchard technique and a marketing advantage. The OVTFA will continue to examine training and technology issues to help the industry determine where resources are, and how they can be improved and employed most efficiently.

Challenges include the following:

- The combination of low returns, increases in input costs, and increased pressure from environmental regulations has created a very difficult situation for B.C. growers.
- Growers are experiencing a cash shortfall that makes it difficult to finance replanting. Over-production of Red Delicious apples by

Fruit growers continue to make long-term gains toward viability, despite low apple prices due to competition and over-production from the United States.

Washington State means a financial return to B.C. growers well below production costs for Red Delicious apples, a variety that still accounts for 25 per cent of the Okanagan apple crop. Not only are Washington growers producing more Red Delicious apples than ever before, the world market demand – most notably in Asia – has fallen sharply.

- Given current financial conditions, growers maintain that the land tax to support the SIR Program is too high to be manageable.
- Ensuring that Ministry of Agriculture, Food and Fisheries safety net programs maximize support to growers and industry-wide revitalization goals.
- Finding workable solutions to environmental issues associated with replanting (e.g., disposal, by burning, of old trees pulled out to make room for new replant varieties).
- The need to deliver training and technical and marketing information most efficiently.
- The need to improve integral communication networks, so that all growers know how to access the best information, quality issues are addressed at every level (i.e., growers, packinghouse and marketing), and revitalization efforts are unified.

government's commitment of a total of $27 million over the next five years.

- The last round of reviews, broad-based consultations, and roundtable discussions provided valuable information in the form of business reports, substantive recommendations, and constructive industry and community dialogue on industry revitalization.
- Technical and orchard skills are improving in the fruit-growing community, including the use of techniques such as SIR, which offer environmental and marketing benefits.
- There are visible positive results from replant activities to date.

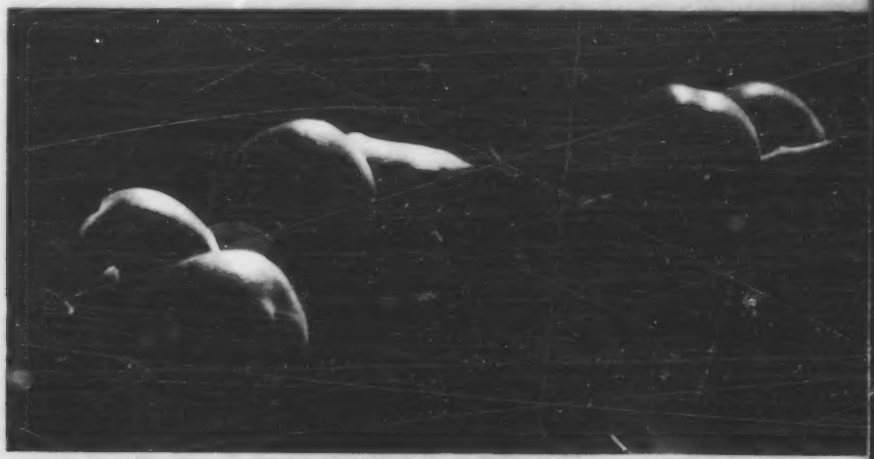
Opportunities include the following:

- The B.C. southern Interior land base is better suited than competing regions to grow many of the newer varieties.
- The industry has a core of innovative and successful commercial orchards that are working to revitalize their orchards.
- The mandate of the OVTFA has been extended, along with the provincial

Key Strategic Issues

The key strategic issues that affect the OVTFA's ability to meet its mandate include the following:

- Current reduced grower returns affect the ability of the corporation to meet the target of having the industry replant 2,000 acres (810 hectares) over the next three years. In some instances, these reduced returns are from replanted acreages where the variety chosen is not meeting market acceptance.
- Reduced grower returns also affect the ability of growers to fund the SIR Program, which raises questions about the suitability and long-term viability of the program. At the same time, consumer preference is increasing for environmentally sensitive products.
- Industry technical support has been reduced, and the remaining resources need to be coordinated and targeted to meet the needs of growers for information and training.
- The OVTFA must have in place financial, personnel and administrative support services that enable the corporation to achieve its mission and meet government accountability and budget transparency objectives in a cost-efficient manner.



Current reduced grower returns affect the ability of the corporation to meet the targets.

Goals, Objectives, Key Strategies and Performance Measures

Strategic Priority: **Industry revitalization**

Orchard renovation continues as the major element in the revitalization plan for the tree fruit industry. Two things are critical to the future competitiveness of this sector: replanting older, lower-valued varieties to new varieties at high densities, and managing orchards to produce higher-quality products.

Strategic Goal: To coordinate and assist with the revitalization of the tree fruit industry into a strong and dynamic industry.

Strategic Objective 1: Improve the productivity and the economic and environmental sustainability of the orchard production base.

Key Strategy	Performance Measure
Provide financial assistance through the effective delivery of the Replant and Grafting programs, to enable growers to replant their orchards with high-density plantings to market targetted varieties.	*Output measure* • In 2001, 650 acres (263 hectares) are replanted and growers have invested approximately $9.8 million in revitalizing their industry. • By 2003/04, 2,000 acres (810 hectares) are replanted. Growers have invested an additional $20 million in revitalizing their industry. • By April 1, 2001, the OVTFA develops and puts into place a pilot Grafting Program and 40 acres (17 hectares) are renovated to higher market targetted varieties. • By 2003/04, 290 acres (122 hectares) are renovated. • The Replant Advance Program is developed and in place by June, 2001. *Outcome measure* Replanted orchards have higher returns than conventional orchards, within five years of replanting. Replanted orchards have reduced irrigation water demand and reduced or nil contribution of nutrients to receiving waters.

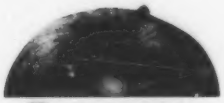
Key Strategy	Performance Measure
Provide financial assistance to growers to help them successfully implement the Sterile Insect Release (SIR) Program to better position their products in the marketplace and improve the regional environment through the reduction in pesticide use.	*Output measure* • The OVTFA coordinates a SIR technical oversight review completed by September 2001. • Given a positive oversight review, the OVTFA develops and delivers a SIR compliance grant program by October 2001. • Organophosphate pesticide use reduced to less than 5,000 kg (90% reduction). *Outcome measure* • The SIR Program is in place, and marketers are able to quote, in their marketing programs, the benefits of the reduction in pesticides. • Organophosphate pesticide usage is reduced to zero from 86,000 kg annually.

Strategic Objective 2: Knowledgeable and motivated orchardists are meeting the challenges and directing the future of a rapidly changing industry.

Key Strategy	Performance Measure
Facilitate the coordination of industry information sources to provide orchardists with technical information on replanting, marketing, and variety selection.	*Output measure* • The OVTFA, with industry, jointly funds a study to examine the tree fruit situation, to provide growers with a guide to the future for each sector and variety. • The OVTFA hosts an industry strategy session to examine the tree fruit situation and set out priorities. • By April 2002, the OVTFA develops and implements a plan to coordinate industry resources. *Outcome measure* • Orchardists are more knowledgeable about replanting, marketing, and variety selection, as measured by a grower survey in 2003.

Strategic Objective 3: The financial, personnel and administrative support services are in place to enable the corporation to achieve its mandate, provide an effective level of probity and stewardship of financial resources and meet government accountability and budget transparency objectives.

Key Strategy	Performance Measure
Provide effective administrative services in a cost-efficient manner.	*Output measure* • By April 1, 2001, the OVTFA has in place the staff and performance plans it needs to meet its increased workload. • The OVTFA completes its performance plans, annual reports, financial statements, and other reporting instruments on time and in a professional manner. *Outcome measure* • OVTFA delivers programs efficiently within a targeted cost of 4 to 5 percent of program costs. • OVTFA external audits show that the corporation is meeting its probity and financial stewardship objective.



Resources

Okanagan Valley Tree Fruit Authority
Budget Allocations 2001/02 - 2003/04

	Current 2000/01	Budget 2001/02	Budget 2002/03	Budget 2003/04	Budget 2004/05
Funds					
Provincial Vote	$2,000,000	$5,800,000	$5,300,000	$5,000,000	$5,000,000
Investment	$210,000	$358,955	$290,146	$245,272	$201,130
Other Revenue (TPAP)	$4,500,000				
Other Revenue (SIR)	$750,000				
Total Funds	**$7,460,000**	**$6,158,955**	**$5,590,146**	**$5,245,272**	**$5,201,130**
Expenditures					
Orchard Renovation					
Replant Program					
Replant estimated acres	635	650	800	650	650
Replant grant/acre	$3,122	$4,200	$4,200	$4,200	$4,200
Total Replant Grants	$1,982,470	$2,730,000	$3,360,000	$2,730,000	$2,730,000
Replant Program Costs	$95,000	$135,700	$139,093	$142,570	$146,134
2000 Retroactive Increase		$440,000			
Less Advance	$0	$0	$400,000	$400,000	$400,000
Total Replant Program	**$2,077,470**	**$3,305,700**	**$3,099,093**	**$2,472,570**	**$2,476,134**
Grafting Program					
Grafting estimated acres	0	40	200	50	20
Grafting grant/acre	$0	$1,500	$1,500	$1,500	$1,500
Total Grafting Costs	$0	$60,000	$300,000	$75,000	$30,000
Grafting Program Costs	$0	$16,650	$17,066	$17,493	$17,930
Total Grafting Program	**$0**	**$76,650**	**$317,066**	**$92,493**	**$47,930**
TPAP Program					
TPAP grant/acre	$2,250	$2,250	$2,250	$2,250	$2,250
TPAP Replant	$1,000,000	$1,428,750	$1,462,500	$1,800,000	$1,462,500
TPAP Grafting	$0	$0	$90,000	$450,000	$112,500
TPAP Program Costs	$25,000	$30,600	$32,130	$33,737	$35,423
Total TPAP Program	**$1,025,000**	**$1,459,350**	**$1,584,630**	**$2,283,737**	**$1,610,423**
Replant Advance Program					
Advance Estimated Acres	0	200	200	200	0
Advance/acre	$0	$2,000	$2,000	$2,000	$2,000
Total Advance	$0	$400,000	$400,000	$400,000	$0
Advance Program Costs	$0	$23,300	$23,883	$24,480	$25,092
Total Advance Program	**$0**	**$423,300**	**$423,883**	**$424,480**	**$25,092**
SIR Program					
Grants	$276,000	$1,550,000	$800,000	$800,000	$800,000
Program Costs	$15,000	$46,600	$47,765	$48,959	$50,183
Total SIR	**$291,000**	**$1,596,600**	**$847,765**	**$848,959**	**$850,183**
Information Program					
Grants and Studies	$0	$100,000	$50,000	$50,000	$50,000
Program Costs	$0	$34,950	$35,824	$36,719	$37,637
Total Information Program	**$0**	**$134,950**	**$85,824**	**$86,719**	**$87,637**
Total Orchard Renovation	**$3,393,470**	**$6,996,550**	**$6,358,260**	**$6,208,957**	**$5,097,400**
Administration Costs					
Administration	$185,000	$130,000	$133,250	$136,581	$139,996
Board Cost	$10,000	$25,000	$25,625	$26,266	$26,922
Total Administration	**$195,000**	**$155,000**	**$158,875**	**$162,847**	**$166,918**
Total Uses of Funds	**$3,588,470**	**$7,151,550**	**$6,517,135**	**$6,371,804**	**$5,264,318**
Net Funds Used	**$3,871,530**	**($992,595)**	**($926,989)**	**($1,126,532)**	**($63,188)**
Cash Flow Management					
Opening Retained Earnings	$633,632	$4,505,162	$3,512,567	$2,585,578	$1,459,045
Closing Retained Earnings	$4,505,162	$3,512,567	$2,585,578	$1,459,045	$1,395,857
Interest on Retained Earnings	$358,955	$290,146	$245,272	$201,130	$197,910

1 **OVTFA,** Plan 2000: A framework for returning the Tree Fruit Industry to efficiency and profitability, October 2000

2 **OVTFA,** Five Year Business Plan, 1996 - 2000

3 **Robin M. Junger,** Orchard Replant/Tree Fruit Industry Revitalization Plan: Report on the Recommendations of the Industry Roundtable, March 2000

4 **OVTFA,** Corporate Plan 2000/01

5 **OVTFA,** Five Year Budget Projections

6 **Auditor General of British Columbia,** Enhancing Accountability for Performance in the British Columbia Public Sector, June 1995.

7 **B.C. Ministry of Finance, Crown Corporations Secretariat,** Guidelines for Government Organizations Performance Plans, September 2000.

How to contact the OVTFA

For further details about the Okanagan Valley Tree Fruit Authority and its work, please contact us:

Toll-free:	**1-800-665-5254**
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